Annual Report 2019

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ANNUAL REPORT 2019

The Board of Directors and CEO of Nordic Guarantee Försäkringsaktiebolag hereby present the Annual Report for the financial year ended 31 December 2019.

The undersigned CEO of Nordic Guarantee Försäkringsaktiebolag, corporate identity number 516406-0112, hereby certifies that the income statement and balance sheet for the period 01/01/2019 – 31/12/2019 were adopted at the Annual General Meeting held on 17 March 2020. At this meeting, shareholders also approved the Board's proposal concerning the profit.

Stockholm, 17 March 2020

Donnell Gouveia

CEO COMMENTS
DONNELL GOUVEIA

COMMENT FROM THE CEO FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2019

BACKGROUND

Nordic Guarantee Insurance Limited ('Nordic Guarantee' or 'the company') is a surety insurance business, under licence from the Financial Supervisory Authority in Sweden and on a cross border basis from branch offices in Denmark, Norway and Finland. The head office is located in Stockholm and branch offices have been established in Copenhagen, Oslo and Helsinki. The surety insurance business is primarily focused on the construction industry but includes other types of contractual bonds or bonds required by governmental authorities, such as travel bonds, tax bonds, mining rehabilitation bonds and customs bonds.

SUMMARY OF FINANCIAL INFORMATION

SEK thousand	2019	2018
INCOME		
Premium income	227,015	215,415
Gross earned premium	215,312	203,843
Cost of reinsurance	-82,607	-68,559
Capital return on actuarial provisions	1,740	2,250
Net operating expenses and income	-89,616	-103,373
Available for claims	44,829	34,161
Claims paid and reserved (on own account)	-53,126	-62,094
Technical result from non-life insurance business	-8,297	-27,933
Income from associate companies	5,447	-
Net forex gains / losses and investment income / lossses	3,606	-1,926
Profit / (loss) before taxation	**756**	**-29,859**
OTHER FINANCIAL INFORMATION		
Key ratios		
Gross claims ratio	65.69%	59.52%
Gross cost ratio	41.62%	50.71%
FINANCIAL POSITION		
Assets		
investment in associated companies	93,685	0
Other insurance assets	417,616	508,308
	511,301	**508,308**
Equity & liabilities		
Equity	164,701	167,566
Other insurance liabilities	346,600	340,742
	511,301	**508,308**
OTHER FINANCIAL INFORMATION		
Capital strength according to Solvency II regulation		
Capital base	193,289	191,461
Solvency capital required	138,230	114,741
Solvency ratio %	139.83%	166.86%

COMMENTARY

General

The company has continued to make progress in the development of a sustainable business model and ended the year on a small profit before tax of SEK756 thousand (2018 : Loss of SEK29,9 million). The results for the 2019 financial year are negative at the technical result level, SEK8,2 million, however, this is an improvement from the loss reported of SEK27,9 million in 2018. As reported previously, the company had experienced considerable growth in premium over the preceding five years that allowed it to reach a critical mass on which to build a sustainable business. The platform had been set to allow the company a more moderate growth in premium in the current year and in executing a moderate growth strategy we have been able to focus on internal processes and procedures, improved efficiencies, risk selection and claims handling.

Our markets have seen a further increase in credit defaults yet premium rates, in certain markets and business areas, continue to decrease. The expected hardening in the direct insurance markets has not materialised in the year under review but a hardening of the reinsurance markets occurred towards the end of 2019. This hardening is expected to flow into the markets we operate in.

Premium income

Nordic Guarantee has grown gross premium written by 5% in the reported year. This was achieved by growing market share in Finland and Denmark and maintaining our market position in Sweden and Norway. Both the latter markets remain sensitive to price increases due to increased capacity entering these markets. In most instances we have been able to maintain pricing but this came at the expense of growth.

Operating expenses

Operating expenses decreased 8% during the year and this was achieved through operational efficiencies around risk management and claims handling that resulted in a decreased reliance on external consultants. Portfolio management was also a key objective. This allowed underwriters to be more selective in their markets, resulting in the company not having to replace staff when employees resigned.

Claims

Nordic Guarantee saw a decline in claims activity in Finland only to see an increase in Norway. Norway also experienced a large failure towards the end of the year, suffering a gross claim of SEK48 million.

The company was not affected by the failure of the Thomas Cook Group, even though we had large exposures to their Northern European businesses. This risk was underwritten on the basis that the subsidiaries were strong viable entities even though the holding company was not in a strong financial position. This assumption was proven correct with the sale of the Nordic business to the Nordic Leisure Travel Group.

Reinsurance

We successfully renewed our reinsurance programme. The programme consists of a combination of proportional and non-proportional reinsurance providing protection against both severity and frequency losses. Our reinsurance panel comprises well respected reinsurers with a minimum of an "A" rating (Standard & Poor's). The reinsurance structure protects our net exposure to an acceptable level and the company does not foresee any significant change in this structure.

Investments in associate companies

As reported last year, the company received a capital contribution of SEK80 million in December 2018. These funds were deployed in July when the company acquired a 31% stake in Lombard Australia Holdings Pty Limited, who in turn acquired 100% in an Australian insurance company called Assetinsure Pty Limited. Assetinsure are insurance underwriters, underwriting agents and a reinsurance company based in Sydney Australia. Their main class of insurance business is surety/guarantees and credit enhancement and they generated premiums of AUD$62 million in the 12 months ended December 2019.

Nordic Guarantee also acquired a 30% interest in a small Danish start-up company, Keyhole ApS. This company distributes rental guarantees to private individuals via a smart application and a landlord platform. We subscribed for shares in the business and the SEK5 million invested is being used towards developing the IT systems and the product was successfully launched towards the end of December 2019. The related rental guarantee will be underwritten by Nordic Guarantee and we intend to penetrate the predominantly cash deposit market with an insurance solution.

The company has accounted for both these investments using the equity method of accounting and has recognised profit from associates in the amount of SEK5,4 million during the current financial year.

Capital position

The company's solvency position decreased to 140% from 167% in the prior year, mainly due to the investment in Lombard Australia Holdings Pty Ltd. The investment in the Australian insurance group, which is regulated by the Australian Prudential Regulation Authority, is classified as an unrated investment and although the entity is extremely well capitalised with a capital adequacy multiple of 3.07 (20118: 2.59), were solvency equivalence to have been recognised, the Nordic Guarantee SCR % would have been 167%.

Entrance into the Spanish market

Mining rehabilitation guarantees were identified as an opportunity where Nordic Guarantee could leverage off the close cooperation it has with Lombard Insurance Company Limited . Lombard are the leading provider of guarantee insurance in Southern Africa and have agreed to assist by providing underwriting expertise.

Due to the limited market size in the Nordics, Spain was also identified as a mining region in which we could provide mining rehabilitation guarantees into a market dominated mainly by the banks. This work stream did not result in any premiums written in 2019 but the first Spanish facility was concluded in January 2020.

Appreciation

The Nordic Guarantee team, continued with the commitment to develop a business that is profitable and sustainable, and we are grateful to have the support of active shareholders, dedicated board members, supportive reinsurers and loyal clients during the year. I am extremely grateful for the unwavering support and would like to thank everyone at Nordic Guarantee for their hard work and dedication during the year.

DONNELL GOUVEIA
Chief Executive Officer
17 March 2020

DIRECTORS' REPORT

NATURE OF BUSINESS

Nordic Guarantee Försäkringsaktiebolag ('the company') is a wholly owned subsidiary of Manzillo Holdings Limited, corporate identity number 528963, domiciled in the British Virgin Islands.

The company's main activity is the issuance of guarantees into the construction and travel industries. The company has been in operation since December 2003 and is licenced to write non-life insurance risks, classes 15 (surety) and 9 (other material damage). Nordic Guarantee Försäkringsaktiebolag's head office is in Kista, outside Stockholm Sweden, and its operations are carried out in Sweden and through branches in Norway, Finland and Denmark. Since 2006, only class 15 (surety) insurance has been written. The company is also registered for cross-border business in a number of countries within EU.

REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

Sales, performance and financial position

Guarantees into the construction industry continues to be the company's main business. The focus area for the year has been to decrease the risks within the portfolio and this has been achieved by targeting new business with shorter tenors and other surety risks that traditionally have had lower loss ratios. Due to the decreased risk appetite the company's premium income increased by 5% to TSEK 227,015 compared to an increase of 20% in the prior year (2018:215,415).

Claim costs for own account decreased during the year to TSEK -53,126 (2018:-62,094), of this amount, TSEK 9,941 (2018:2,552) is attributable to claims that incurred in previous years. The 2019 claim costs were characterized by a small number of larger claims primarily in Norway and Finland but also one in Sweden.

The technical loss was reported as TSEK 8,297 (2018: loss of 27,933), and a profit reported before allocations and taxation at TSEK 756 (2018: loss of 29,859). The operating expenses have decreased during the past year because of a decrease in staffing and further operational savings.

The company has during the year acquired a 31% stake in Lombard Australia Holdings Pty Limited, who in turn acquired 100% in an Australian insurance group, Assetinsure Holdings Pty Limited, based in Sydney Australia. Assetinsure Holdings Pty Limited's main class of insurance business is surety/guarantees. The company's share of Lombard Australia Holdings Pty Limited profit FY2019 is 5 923 TSEK.

The company's capital base is subject to the statutory minimum requirements according to Solvency II regulations. At the balance sheet date, the minimum capital requirement was calculated as TSEK 39,774 (2018:38,486), the solvency capital requirement as TSEK 138,230 (2018: 114,741) and capital base as TSEK 193,289 (2018: 191,461).

Employee benefits

The total amount paid to employees for remuneration and benefits was TSEK 41,475 (2018: 39,985). For additional information relating to remuneration and benefits paid to employees, refer to note 6 of the annual financial statements.

Risks and risk management

The company's claims outcome is greatly affected by economic trends in the countries in which it operates. Insurance risk is mitigated through careful assessment of each individual customers' financial position and profitability. In addition, emphasis is placed on strict enforcement of internal policies and guidelines for underwriting and claims settlement. The company's reinsurance cover is designed to limit the impact of losses per individual risk. Further information on risks can be found in note 1 of the annual financial statements.

Financial administration

The company has a low level of risk in its financial investments. The yield during the year was 0,3% (2018: 0.7%) and only comprised of interest-bearing investments at year-end.

Outlook

The prospects for the company to achieve increased premium volume and lower claims costs are considered good. The Nordic Banks still dominate the guarantee/surety market. The company's product offering provides an attractive alternative to the banking solution, primarily due to banks' requirements for collateral and the simpler administrative functions employed by the company.

The work in recent years to change the risk profile of the company's exposures has yielded results and this work will continue. The long duration of insurance contracts does take time, however, before changes in the insurance portfolio will be seen. Profitability in the company's operations is expected to improve over the next few years.

Proposal for appropriation of profit

The balance sheet shows that the Annual General Meeting has SEK 104,701,698 at its disposal.

Retained earnings	104,201,428
Profit for the year	500,270
Retained earnings	**104,701,698**

The Board of Directors propose that SEK 104,701,698 be carried forward.

FIVE-YEAR FINANCIAL SUMMARY

SEK thousand		2019	2018	2017	2016	2015
Profit						
Premium income		227,015	215,415	180,099	152,446	125,555
Premium earned		215,312	203,843	160,369	121,483	123,060
Return on capital transferred from financial business		1,741	2,250	2,740	1,616	1,245
Insurance compensation, ooa		-53,126	-62,094	-44,943	-25,696	-27,479
Technical loss / profit from non-life						
insurance business		-8,297	-27,933	-4,772	4,746	7,937
Loss / Profit for the year		500	-30,099	-6,725	4,796	13,162
Financial position						
Financial investment assets at fair value		138,251	174,111	171,267	62,795	61,318
Actuarial provisions (on own account)		102,430	137,605	106,759	96,246	102,310
Capital strength according to Solvency I regulation						
Capital base						110,888
Solvency capital requirement						34,730
Capital strength according to Solvency II regulation						
Capital base		193,289	191,461	154,773	135,034	
- Tier 1		184,979	182,895	145,967	127,852	
- Tier 3		8,310	8,566	8,806	7,181	
Solvency capital requirement (SCR)		138,230	114,741	98,236	105,073	
Minimum capital requirement (MCR)		39,774	38,486	36,044	36,500	
Key ratios						
Loss ratio	1	59 %	66%	46%	29%	33%
Operating costs ratio	2	58 %	67%	62%	68%	59%
Total costs ratio	3	117 %	133%	108%	97%	92%
Yield in percent	4	0,3 %	0,7%	-0,8%	0,2%	-0,1%
Total return in percent	5	1,4 %	0,8%	-0,7%	0,4%	0,2%
Capital base/SCR	6	139,83%	166,86%	157,55%	128,51%	

Definitions

1 Insurance compensation as a percentage of premium income on own account
2 Total operating costs as a percentage of premium income on own account
3 Loss ratio plus operating costs ratio
4 Realised capital revenue as a percentage of financial assets
5 Realised capital profit as a percentage of financial assets
6 Capital base vs capital requirement according to Solvency II regulation

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

SEK thousand	Notes	2019	2018
TECHNICAL ACCOUNTS			
Earned premium, ooa)			
Premium income	2	227,015	215,415
Reinsurer's share of premium income		-134,387	-127,689
Change in provisions for unearned premiums and protracted risks		-11,703	-11,572
Reinsurer's share of change in provisions for unearned premiums and protracted risks		9,248	18,041
Earned premium, ooa		**90,173**	**94,195**
Return on capital transferred from financial business	3	1,741	2,250
Other technical income		5,652	479
Insurance compensation, ooa	4		
Insurance compensation paid		-151,621	-40,747
Reinsurer's share of insurance compensation paid		61,379	19,636
		-90,242	**-21,111**
Change in provisions for unsettled claims		10,192	-71,880
Reinsurer's share of change in provisions for unsettled claims		26,924	39,607
		37,116	**-32,273**
Insurance compensation, ooa		**-53,126**	**-62,094**
Operating costs	5,6,10	-52,737	-62,763
Technical loss from non-life insurance business		**-8,297**	**-27,933**
NON-TECHNICAL ACCOUNTS			
Technical loss from non-life insurance business		**-8,297**	**-27,933**
Result from Associated companies	13	5,447	-
Return on capital - revenue	9	3,271	2,104
Return on capital - costs	9	-1,401	-12
Return on capital transferred to non-life insurance business	3	-1,741	-2,238
Other income	10	5,582	4,713
Other costs	10	-2,105	-6,493
Profit before allocations and taxation		**756**	**-29,859**
Appropriations		-	-
Taxation for the year	11	-	-
Change in deferred tax	11	-256	-240
Profit for the year		**500**	**-30,099**

[1] *ooa = on own account*

STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December

SEK thousand	2019	2018
Profit / Loss for the year	500	-30,099
Other comprehensive income		
Items that may be reclassified to profit or loss		
Translation differences for the year in foreign branches	-3,365	-2887
Comprehensive income for the year	**-2,865**	**-32,986**

STATEMENT OF FINANCIAL POSITION

as at 31 December

SEK thousand	Note	2019	2018
ASSETS			
Intangible assets			
Other intangible assets	12	422	4,376
Investment assets			
Share in associate companies	13	93,560	-
Financial investment assets	14	138,251	174,111
		231,811	**174,111**
Reinsurer's share of actuarial provisions			
Unearned premiums and protracted risks		93,685	81,714
Unsettled claims		82,522	54,523
		176,207	**136,237**
Receivables			
Receivables concerning direct insurance	15	34,554	29,939
Receivables concerning reinsurers		9,977	13,021
Other receivables	16	9,624	9,915
		54,155	**52,875**
Other assets			
Tangible fixed assets	18	4,235	3,619
Cash and bank balances		25,208	123,300
		29,443	**126,919**
Prepaid expenses and accrued income			
Other prepaid expenses and accrued income	19	19,263	13,790
TOTAL ASSETS	24	**511,301**	**508,308**

STATEMENT OF FINANCIAL POSITION

as at 31 December

SEK thousand	Notes	2019	2018
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Share capital		50,000	50,000
Statutory reserve		10,000	10,000
Restricted equity		**60,000**	**60,000**
Profit brought forward		93,051	126,515
Share premium reserve		11,150	11,150
Profit for the year		500	-30,099
Non-restricted equity		**104,701**	**107,566**
Total equity		**164,701**	**167,566**
Actuarial provisions			
Provisions for unearned premiums and protracted risks	20	153,977	140,928
Provisions for unsettled claims	21	124,660	132,914
		278,637	**273,842**
Liabilities	22		
Liabilities concerning direct insurance		4,135	6,765
Liabilities concerning reinsurers		13,558	11,773
Other liabilities		9,373	6,420
		27,066	**24,958**
Accrued expenses and deferred income			
Other accrued expenses and deferred income	23	40,897	41,942
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**511,301**	**508,308**

STATEMENT OF CHANGES IN EQUITY

SEK thousand	Number of Shares	Restricted equity		Non-restricted equity	Total equity
	Quota value 100 SEK	Share capital	Statutory reserve	Profit brought forward, including profit for the year	
Opening balance 01/01/2018	**500,000**	**50,000**	**10,000**	**60,552**	**120,552**
Comprehensive income for the year					
Loss for the year				-30,099	-30,099
Translation differences for the year in foreign branches				-2 887	-2 887
Comprehensive income for the year				**32,986**	**32,986**
Transactions with the owners					
Received shareholder contribution				**80,000**	**80,000**
Closing balance, 31/12/2018	**500,000**	**50,000**	**10,000**	**107,566**	**167,566**
Opening balance 01/01/2019	**500,000**	**50,000**	**10,000**	**107,566**	**167,566**
Comprehensive income for the year					
Profit for the year				500	500
Translation differences for the year in foreign branches				-3,365	-3,365
Comprehensive income for the year				**-2,865**	**-2,865**
Closing balance, 31/12/2019	**500,000**	**50,000**	**10,000**	**104,701**	**164,701**

All components of other comprehensive income can be reversed via the income statement.

STATEMENT OF CASH FLOWS

For the year ended 31 December

SEK thousand	Note	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation	1	756	-29,859
Adjustment for items not included in cash flow:	2	-37,442	35,149
Depreciation		472	1,031
Cash flow from operating activities before changes in assets and liabilities		**36,214**	**6,321**
Changes in receivables		-8,862	2,877
Changes in short term liabilities		484	3,143
Cash flow from changes in assets and liabilities		**-8,378**	**6,020**
Cash flow from operating activities		**-44,592**	**12,341**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of tangible assets		-3,242	-
Acquisitions of associated companies		-88,113	-
Disposal of financial investment assets		37,738	-843
Sale of fixed assets		1,870	410
Cash flow from investing activities		**-51,747**	**-433**
CASH FLOW FROM FINANCING ACTIVITIES			
Shareholders contribution		-	80,000
Cash flow from financing activities		**-**	**80,000**
Cash flow for the year		**-96,339**	**91,908**
Cash and cash equivalents at the beginning of the year		123,300	32,600
Currency translation difference in cash and cash equivalents		-1,753	-1,208
Cash and cash equivalents at the end of the year		25,208	123,300
Note 1			
Interest received		6	3
Interest paid		-21	6
Note 2			
Depreciation		4,764	6,603
Loss on disposal of fixed assets		-49	-15
Share in result from associated companies		-5,447	-
Changes in provisions		-34,831	30,170
Change in fair value in financial investments		-1,880	-1,609

PERFORMANCE ANALYSIS

	Notes	Direct insurance, Swedish risks (surety)	Direct insurance, foreign risks	Total
Earned premium, ooa	a	9,683	80,490	90,173
Return on capital transferred from financial business		298	1,443	1,741
Other technical revenue		392	5,260	5,652
Insurance compensation, ooa	b	-6,785	-46,341	-53,126
Operating costs		-9,806	-42,931	-52,737
Technical profit from non-life insurance business		**-6,218**	**-2,079**	**-8,297**
Run off result		**3,648**	**6,293**	**9,941**
Change in actuarial provisions, before reinsurance				
Provisions for unearned premiums and protracted risks		2,657	-14,360	-11,703
Provisions for unsettled claims		23,995	-13,803	10,192
Total change in actuarial provisions, before reinsurance		**26,652**	**-28,163**	**-1,511**
Reinsurer's share of change in actuarial provisions				
Provisions for unearned premiums and protracted risks		-239	9,487	9,248
Provisions for unsettled claims		-9,254	36,178	26,924
Total reinsurer's share of change in actuarial provisions		**-9,493**	**45,665**	**36,172**
Notes to the performance analysis				
Note a, Premium revenue, ooa				
Premium income		49,234	177,781	227,015
Change in premium income		2,657	-14,360	-11,703
Premium earned before reinsurance		51,891	163,421	215,312
Reinsurer's share of Premium income		-41,969	-92,418	-134,387
Reinsurer's share of change of Premium income		-239	9,487	9,248
Reinsurer's share of premium revenue		-42,208	-83,931	-125,139
Premium revenue, ooa		**9,683**	**80,490**	**90,173**
Note b, Insurance compensation, ooa				
Insurance compensation paid				
- Before reinsurance		-33,856	-117,765	-151,621
- Reinsurer's share		12,330	49,049	61,379
Changes in provisions for unsettled claims				
- Before reinsurance		23,995	-13,803	10,192
- Reinsurer's share		-9,254	36,178	26,924
Insurance compensation, ooa		**-6,785**	**-46,341**	**-53,126**

STATEMENT OF ACCOUNTING POLICIES

GENERAL INFORMATION

The annual report is submitted on 31 December 2019 and concerns Nordic Guarantee Försäkringsaktiebolag, an insurance company with its registered office in Stockholm. The address of the head office is Kista Science Tower, 164 51 Kista, Sweden, and the company's corporate identity number is 516406-0112.

COMPLIANCE WITH STANDARDS AND LEGISLATION

The annual report has been prepared in accordance with the Annual Accounts per the Insurance Companies Act and in accordance with the Swedish Financial Supervisory Authority's regulations and general recommendations on annual reports for insurance companies (FFFS 2015:12), including the amending regulations of the Swedish Financial Supervisory Authority and recommendation RFR 2 issued by the Swedish Financial Reporting Board. The company applies statutory IFRS and this means that all IFRS and statements approved by the EU are applied where possible within the framework of Swedish law and in respect to the link between accounting and taxation.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

At the time of preparation of the company's financial statements as at 31 December 2019, there are standards and interpretations that have been published by the International Accounting Standards Board (IASB) that are not yet effective. Below is a preliminary assessment of the potential impact of the implementation of these standards and interpretations on the company's financial statements.

IFRS 17

The 14th of November 2018 IASB decided to postpone the effective date of the new standard IFRS17 to the 1st of January 2022. The Swedish Financial Supervisory Authority has presented a preliminary plan for the introduction of the new accounting standard and is considering introducing a two-year implementation period for the legal entity, which means that the regulations will be applied no later than for the financial year beginning January 1, 2024. The company has not yet established the impact of this statement on its financial results.

ASSUMPTIONS FOR THE PREPARATION OF FINANCIAL STATEMENTS

The functional currency is Swedish Krona (SEK) and the financial statements are presented in SEK. All amounts are rounded to the nearest thousand, unless specified otherwise. Assets and liabilities are recognised at cost, except certain financial assets that are valued at fair value. Financial assets valued at fair value comprise bonds and other interest-bearing securities. Changes in relation to book value are recognised in the income statement.

ESTIMATES AND VALUATIONS IN THE FINANCIAL STATEMENTS

Preparation of the financial statements in accordance with statutory IFRS requires the company's management to make assessments, estimates and assumptions that affect the application of the accounting policies and the carrying amounts for assets, liabilities, revenue and costs. The estimates and assumptions are based on past experience and a number of other factors that are reasonable under the prevailing conditions. The result of these estimates and assumptions are then used to assess the carrying amounts for assets and liabilities that are not otherwise clear from other sources. Actual results may differ from these estimates and assessments.

Estimates and assumptions are reviewed regularly. Changes to estimates are recognised in the period in which the estimate is changed if the change only affects that period, or in the period in which the change is made and future periods if the change affects both the current and future periods.

Assessments made by management for the application of IFRS that have a significant effect on the financial statements and estimates made that may entail material adjustments in the financial statements for subsequent years are described in further detail in a separate note, where appropriate.

Estimates and assessments are made in technical provisions, deferred taxes and intangible assets. Valuation principles are described below. The accounting policies indicated below were applied consistently to all periods presented in the financial statements, unless otherwise specified below.

TRANSLATION OF FOREIGN BRANCHES

Balance sheet items are translated using the exchange rate at the balance sheet date and items in the income statement are translated using the average exchange rate for the period in which the item occurred. When translating items in the balance sheet from foreign currency values, the following exchange rates were used as at 31 December:

Currency	2019	2018
NOK	1,06	1,03
EUR	10,43	10,33
DKK	1,40	1,38

Translation differences generated in connection with the translation of a foreign net investment are recognised in other comprehensive income as part of the translation reserve reported in equity.

INSURANCE CONTRACTS

Under IFRS 4, contracts that carry a significant insurance risk must be classified as insurance. Following a review of all products, the company decided that all products must be regarded as insurance.

Revenue recognition/premium income

Premium income recognised is the total gross premiums for direct insurance that are paid in or are credited to the company for insurance contracts for which the insurance period began before the end of the financial year. Premium income recognised includes premiums for insurance periods that began after the end of the financial year, if they were due for payment during the financial year in accordance with the contract. Gross premium refers to the contractual premium for the entire contract term. Policy cancellations reduce premium income as soon as the amount is known.

Premium revenue corresponds to that part of the premium income that is earned. Unearned premium is allocated to the provisions for unearned premiums.

Actuarial provisions

Actuarial provisions consist of provisions for unearned premiums and protracted risks, plus provisions for unsettled claims.

Provisions for unearned premiums and protracted risks

Provisions for unearned premiums correspond to the company's liability for claims, costs of administration and other costs during the remainder of the contract term for current insurance contracts. Current insurance means insurance under contracts that have been made, regardless of whether they concern subsequent insurance periods in full or in part. These provisions are calculated by estimating the expected costs of claims that may arise during the remaining term of the insurance, plus the costs of administration during this period. The estimation of costs is based on the company's prior experience, but the observed and forecast development of relevant costs is also considered.

Provisions for unearned premiums are recognised in full for all the company's operations. Protracted risks mean the risk that the claims and costs arising out of insurance contracts cannot be covered by unearned and expected premiums after the end of the financial year. For insurance contracts with premiums paid in advance for several years, the provisions for unearned premiums are calculated based on an estimate of the company's liability for current contracts and the expected pay-out pattern. Provisions for unearned premiums are estimated using the unearned proportion of premiums for current insurance. If the premium level for current insurance is considered to be insufficient, provisions are made for protracted risks. The current period's change in provisions for unearned premiums and protracted risks is recognised in the income statement.

Provisions for unsettled claims

Provisions for unsettled claims consist of estimated undiscounted cash flows of final costs to meet all claims based on events that occurred before the end of the financial year, less amounts already paid out in connection with claims. The change in unsettled claims for the period is recognised in the income statement.

Loss check

The company's accounting and valuation policies applied to the balance sheet item 'Provisions for unearned premiums and protracted risks', automatically entails a check that the provisions are sufficient to cover expected future cash flows.

Operating costs

Operating costs are described in notes 5 and 6 of the financial statements. Changes in actuarial provisions for insurance contracts are recognised in the income statement under the respective headings. Compensation paid out during the financial year corresponds to payments to policy holders on account of losses that have occurred, regardless of when the loss occurred.

Reinsurance purchased

The amount paid out during the financial year is recognised as the premium for reinsurance purchased. The premium is amortised so that the cost is allocated to the period covered by the insurance protection.

RECOGNITION OF RETURN ON CAPITAL

Return on capital transferred from financial business to non-life insurance business
The return on capital is transferred from the result of asset management to the result of insurance business based on average actuarial provisions on own account. The return on capital transferred is calculated based on an interest rate equivalent to the company's long-term return on investment.

Net return on capital
The return on capital revenue item comprises return on investment assets, which includes interest income, exchange gains (net), reversed impairments and capital gains (net), and the company's share of the result in associated companies. The costs of investment assets are recognised under return on capital, costs. This item includes interest expenses, exchange losses (net), depreciation/amortisation, impairments and capital losses (net).

Realised and unrealised changes in value
For investment assets valued at fair value, the capital gain is the positive difference between the sales price and the cost of acquisition. For sales of investment assets, previously unrealised changes in value are entered as adjustment items as either unrealised gains on investment assets or unrealised losses on investment assets.

TAXES

Income tax
Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement, except where the underlying transaction is recognised directly in equity, in which case the associated tax effect is recognised in equity. Current tax is tax that must be paid or received for the current year, applying the tax rates adopted or adopted in practice as at the balance sheet date. This also includes adjustments of current tax attributable to prior periods. Deferred tax is calculated using the balance sheet method based on temporary differences between carrying amounts and tax bases of assets and liabilities. The valuation of deferred tax is based on how underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated applying the tax rates and tax rules adopted or adopted in practice as at the balance sheet date. Deferred tax assets for tax-deductible temporary differences and the carry-forward of losses are recognised only to the extent it is likely that it will be possible to utilise these items. The value of deferred tax assets is derecognised when it is no longer deemed likely that they can be utilised. Any future income tax arising in connection with dividends is recognised at the same time that the dividend is recognised as a liability.

INTANGIBLE ASSETS

Other intangible assets
Other intangible assets are valued at cost less accumulated amortisation.

Amortisation methods
Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the intangible asset. Useful lives of intangible assets are reviewed annually. Amortisable intangible assets are amortised from the date on which they are available for use. The useful lives of intangible assets are estimated at between three and five years.

HOLDINGS IN ASSOCIATED COMPANIES

The company's holdings in associated companies are reported in accordance with the equity method specified in IAS 28. According to the equity method, holdings in an associated company are initially recognized at cost. The carrying amount is then increased or decreased to take into account the owner's share of the investment object's earnings after the acquisition date. The owner's share of the investment object's profit is included in the owner's profit. Dividends received from the investment object reduce the carrying value of the holding. It may also be necessary to adjust the carrying amount to reflect changes in the owner's share of the investment object arising from changes in the investment object's other comprehensive income. Such changes include changes arising from revaluation of property, plant and equipment and exchange rate differences. The owner's share of the changes must be included in the owner's other comprehensive income.

FINANCIAL INSTRUMENTS

Financial instruments recognised as assets in the balance sheet include fund units and interest-bearing securities, cash equivalents, loan receivables, accounts receivables relating to reinsurance and direct insurance. Financial instruments recognised as liabilities in the balance sheet include accounts payable and other liabilities. Cash and cash equivalents consist of bank balances. Effective from 1 January 2018, IFRS 9 Financial Instruments has replaced the previous standard IAS 39 Financial Instruments. The company has applied IFRS 9 from the beginning of the new financial year starting on 1 January 2018. The new standard comprises the following three areas: Classification and Valuation of Financial Instruments, Impairment, and General Hedge accounting. Below are the effects of the implementation of IFRS 9 on the company.

Classification and valuation of financial instruments

According to IFRS 9, financial instruments are classified according to the following categories: fair value through profit and loss, accrued acquisition value or fair value through other comprehensive income, which differs from the classification under IAS 39.

The starting point for the classification of debt instruments is the company's business model for managing the financial asset and whether the contractual cash flow of the instrument contains only interest and capital payments. Equity instruments shall be classified at fair value through profit and loss, unless the company has chosen to present such instruments at fair value through other comprehensive income at the first reporting date.

Impairment

The assets subject to impairment testing under IFRS 9 are all those valued at accrued acquisition value or fair value through other comprehensive income including guarantees and credit commitments, lease assets and contractual assets. The risk of default on the company's financial instruments valued at accrued acquisition value is assessed as minimal and the expected loan losses are deemed to be non-existent.

Recognition in and derecognition from the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the terms and conditions of the instrument. Accounts receivable are recognised in the balance sheet when an invoice has been sent. A liability is recognised when the counterparty has completed its undertaking and a contractual obligation to pay exists, even if no invoice has yet been received. Accounts payable are recognised when the invoice has been received.

A financial asset is derecognised from the balance sheet when the rights in the contract are realised or mature or the company loses control of them. This also applies to parts of financial assets. A financial liability is derecognised from the balance sheet when the obligation in the contract is performed or is otherwise extinguished. This also applies to parts of financial liabilities.

Acquisition and disposal of financial instruments

Acquisition and disposal of financial assets are recognised on the trade date, which is the date on which the company undertakes to acquire or dispose of the asset.

Investment assets

Investment assets comprise fund units and interest-bearing securities. The main purpose of the asset management function within the company is to always hold enough capital base to cover the actuarial provisions and the solvency capital requirement, according to the Solvency 2 regulation, with a 20% margin. The company's investment assets must therefore always follow the company's insurance commitments and to prevent inconsistencies in the accounting, the investment assets are recognized as fair value through profit and loss, considering that the SPPI-test isn't applicable.

Financial instruments divided into classes and levels for valuation at fair value

Information must be provided on a method for determination of fair value using a valuation hierarchy consisting of three levels. The levels must reflect the extent to which fair value is based on observable market data or own assumptions.

Levels for valuation at fair value:

- Quoted prices in an active market (level 1)
- Valuation model based on observable market data (level 2)
- Valuation model based on own assumptions (level 3)

All of the company's financial instruments are valued at prices (bid rates on the balance sheet date) according to a valuation model based on observable market data (level 2). These instruments are recognised in the balance sheet item 'Financial investment assets'.

Other receivables

The company doesn't conduct any trade in accounts receivable or other receivables and they are therefore valued at accrued acquisition value.

TANGIBLE FIXED ASSETS

Tangible fixed assets are recognised at cost after deduction of accumulated depreciation and any impairment, plus any appreciation. The carrying amount for a tangible fixed asset is removed from the balance sheet in the event of disposal or sale or when no future financial advantage is expected from the use or disposal/sale of the asset. Gains or losses realised upon the disposal or sale of an asset consist of the difference between the selling price and the carrying amount of the asset, less direct selling expenses. Gains and losses are recognised as other revenue/cost.

Depreciation is expensed on a straight-line basis over the estimated useful life of the asset.

Estimated useful lives:

- Equipment 5 years
- Vehicles 3 years
- Computers 3 years

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

Impairment test for tangible and intangible assets

The carrying amounts of assets are tested at each balance sheet date. If there is an indication of impairment, the asset's recoverable amount is calculated in accordance with IAS 36. For intangible assets that are not yet ready for use, the recoverable amount is calculated annually. An impairment is recognised when the carrying amount of an asset or cash generating unit exceeds the recoverable amount. Any impairment is charged to the income statement. Impairment of assets attributable to a cash generating unit is allocated in proportion to the assets in the unit. The recoverable amount is calculated as the higher of fair value less selling expenses and value in use.

Reversal of impairment

An impairment is reversed if there is an indication that the asset is no longer impaired and there has been a change in the assumptions on which the calculation of the recoverable amount was based. Impairment of goodwill arising from the purchase of the net assets of a business is never reversed. Reversal of any impairment is only to the value that the asset would have had, with a normal rate of depreciation for the asset type, if no impairment had taken place.

EQUITY

Dividends are recognised as liabilities after the dividend has been approved at the Annual General Meeting.

REINSURANCE

The company buys reinsurance on a Policies Attaching basis every year, i.e. all risks that are written during the year are covered throughout their period of exposure by the reinsurance programme for the underwriting year. The purchased cover comprises quota share reinsurance along with excess of loss cover which limits the company's costs in the event of a major loss. This provides the company with cover against high-frequency losses and limits the loss for each risk to a maximum self-retention value. The self-retention value is set at a level which the company's Board of Directors deems acceptable for a single risk. A risk may consist of one or more policies written for the same company or groups of companies that are linked in such a way that they can be regarded as the same risk.

RETIREMENT VIA INSURANCE

The company's pension plans for collective agreement occupational pensions are safeguarded via insurance contracts. The pension plan for the company's employees is partly a defined contribution plan and partly a defined benefit plan that covers several employers. The company considers that UFR 6 'Pension plans that cover several employers' is applicable to the company's pension plan. The company lacks sufficient information to allow it to report in accordance with IAS 19 and therefore reports these pension plans as defined contribution plans in accordance with UFR 6. The company's obligations are recognised as a cost in the income statement at the rate they are earned by the employees performing services for the company. According to recommendation RFR 2 issued by the Swedish Financial Reporting Board, IAS 19 does not need to be applied to a legal entity.

SHAREHOLDERS' CONTRIBUTIONS

The company recognises Group contributions and shareholders' contributions in accordance with RFR 2. Shareholders' contributions are recognised directly into equity.

APPROVAL AND ADOPTION OF THE ANNUAL REPORT

The annual report was approved for publication by the Board of Directors and the Chief Executive Officer on 17 March 2020. The income statement and balance sheet will be presented for adoption to the Annual General Meeting on 17 March 2020.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in SEK thousand, unless stated otherwise

Note 1 – Information about risks

OBJECTIVES, PRINCIPLES AND METHODS FOR RISK MANAGEMENT

The company's profit is derived partly from its insurance business and the management of insurance risks, and partly from its investment business and financial risks. Risk and risk management are therefore a central part of the company's business. The note below comprises a description of the company's risk management, plus quantitative and qualitative information about insurance, operational and financial risks. In separate instructions, the Board of Directors has delegated the responsibility for risk management to various functions within the company. The Board of Directors has appointed four committees, the Underwriting Committee, the Claims Committee, the Risk and Audit Committee and the Remuneration Committee. The tasks of these committees include developing proposals, within their areas of responsibility, for policies and guidelines which the Board then approves and adopts. The committees are also responsible for the implementation and follow-up of policies and procedures within their areas of responsibility. This work is continuous, and policies and procedures are checked and revised regularly. Recurring training programmes and clear processes and job descriptions are used to ensure that risk control is performed throughout the organisation and that each employee understands their role and responsibility.

The aim of the company's risk management is to identify, measure and manage all risks to which the company is exposed. Another important aim is to ensure that the company has adequate solvency in relation to the risks to which the company is exposed. The Board of Directors has primary responsibility for management of the risks to which the company is exposed. The Board of Directors adopts guidelines that will apply to risk management, risk reporting, internal control and follow-up. The Underwriting Committee consists of members of the Board of Directors and the company's Chief Executive Officer. The Underwriting Committee makes decisions on major insurance risks. The Risk and Audit Committee consists of members of the Board of Directors and the company's Chief Executive Officer and is responsible for ensuring that the company has functioning internal controls and a framework for risk management. The coordinator for risk management is the company's Chief Risk Officer, whose tasks include checking that insurance risks written, lie within the adopted risk appetite and risk tolerance limits, policies and guidelines, and that the reinsurance terms are complied with.

RISKS IN INSURANCE BUSINESS

During the reporting year, the company wrote non-life insurance in the field of surety insurance. Insurance risks comprise both underwriting risks and reserve allocation risks. The meaning of these terms and the company's general methods for managing both types of risk are described below.

Underwriting risks

Underwriting risk is the risk that the calculated premium for the insurance will not match the actual claim and operating costs associate with the insurance. There are various methods for reducing underwriting risks. These include the company diversifying its portfolio over time and/or between different types of insurance risk. The company's principal method for managing underwriting risks is the business plan and the own risk and solvency assessment which is drawn up every year and adopted by the Board of Directors.

Reserve allocation risks

Reserve allocation risk, i.e. the risk that the actuarial provisions are not sufficient to settle claims that arise, is primarily managed by means of developed actuarial methods and careful continuous follow-up on claims reported and potential claims. Risk is also limited by means of reinsurance. The Board of Directors decides on the extent of reinsurance. Reinsurance purchased is used to limit the consequences of claims, making it possible to manage the size of exposure and to protect the company's equity. The company's maximum self-retention per claim is decided on by the Board of Directors.

Surety insurance

Risks attributable to surety insurance are managed primarily by means of pricing, product design, risk selection, investment strategy, rating and reinsurance.

The total aggregated risk the company is willing to assume is determined in relation to risk concentrations within the field of insurance. The company monitors this exposure, both when signing contracts and on an ongoing basis, by reviewing reports of significant risk concentrations. Various statistical methods, stress tests and simulations are used to prepare such reports and identify risk concentrations on an ongoing basis.

Operational risks

Operational risk refers to the risk that errors or deficiencies in administrative procedures lead to unexpected financial losses or losses of confidence. These may, for example, be caused by a lack of internal control, inadequate systems or deficiencies in technical equipment. The risk of irregularities, whether internal or external, is also part of operational risk. The operational risks are counteracted by means of internal control. The maintenance of good internal control is an ongoing process in the company.

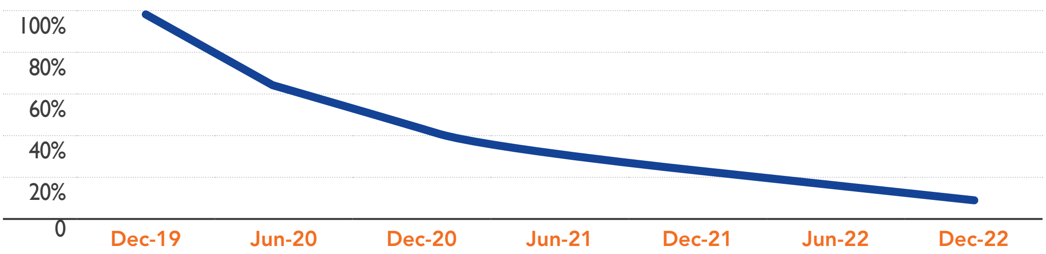
CONCENTRATION OF INSURANCE RISK AND SENSITIVITY

The insurance risks to which the company is exposed are directly related to the risks in the insurance contracts written. Surety insurance is used as security in business transactions. The insurance covers, up to a predetermined amount, the risk of one party (the customer) being unable to perform its obligations to another party (the beneficiary).

The company follows up on insurance risks, among other items via the customer's rating. At year-end, the exposure was divided into the rating classes presented in the table below, where AAA is the best rating. Rating classification is obtained from an external party.

Rating	Percentage
AAA	26%
AA	31%
A	27%
B	5%
C	3%
Recently formed companies and companies without a rating class	8%
Total	**100%**

Economic fluctuations present a major risk factor. The number of bankruptcies generally increases in a recession, which affects the company's claim costs. This means that it is important to follow the rate at which insurance risk decreases. The graph below shows how total exposure as at the year-end decreases over time.



Of the total exposure, the ten largest exposures account for 31.0% (33.8%), which is shown in the table below. Rating classification is obtained from an external party.

10 largest exposures	Rating	Percentage	10 largest exposures	Rating	Percentage
			c/f		18.6%
No. 1	AA	4.7%	No. 6	A	2.9%
No. 2	A	3.7%	No. 7	AAA	2.6%
No. 3	AA	3.6%	No. 8	AAA	2.5%
No. 4	AA	3.6%	No. 9	AAA	2.4%
No. 5	AA	3.0%	No. 10	AA	2.0%
c/f		**18.6%**	**Total before reinsurance**		**31.0%**

Cost for claim years 2006-2018 ooa

The table below shows the estimated cost in 2019 of unsettled claims (net) related to prior years.

Claims ooa	2006-2015	2016	2017	2018	Total
Opening reserve	18,228	9,313	9,867	96,385	133,794
Out payments	-17 829	-1,306	-6,384	-49,054	-74,573
External claims handling costs	-701	-327	-46	-826	-1,900
Currency translation impact				479	479
Closing reserve	116	1,320	3,907	36,901	42,244
Gross settlement result	**-419**	**6,360**	**-470**	**10,083**	**15,555**
Reinsurer's share					
Opening receivable	8,536	589	8,164	37,587	54,876
Adjustment XoL reserve	-6,074	4,802	-5,090	-23 687	-30,049
Paid in				-189	-189
Currency translation impact				-100	-100
Closing receivable	715	417	4,937	12,855	18,924
Settlement result	**1747**	**4,974**	**-1,863**	**756**	**5,613**
Net settlement result	**-2,165**	**1,386**	**1,393**	**9,327**	**9,941**

RISKS IN FINANCIAL OPERATIONS

Various types of financial risks such as credit risks, market risks, currency risks, liquidity risks and operational risks arise in the company's operations. In order to limit and control risk-taking in its operations, the company's Board of Directors, as the body with ultimate responsibility for internal control, has adopted guidelines and instructions for financial operations.

Credit risks in financial management

Credit risk refers to the risk of the company not receiving payment as agreed and/or making a loss on account of the other party's inability to meet its obligations. The company has a financial management policy that only permits investments in securities with a high credit rating. Consequently, credit risks in this part of operations are considered to be low. The maximum risk to which the company is exposed in various classes of financial assets is shown in the table below. The rating classification is based on information from Standard & Poor's. At the year-end, there were no assets that were subject to impairment.

MAXIMUM CREDIT RISK EXPOSURE

Asset class	2019
Bonds and other interest-bearing securities	138,251
Bank balances	25,208
Total	**163,459**

	Credit Quality					
Financial Investment Assets	AAA	AA	A	BBB	No rating	Total
Bonds and other interest-bearing securities:						
- Swedish government	1.60%	0.22%			0.59%	**2.41%**
- Other Swedish issuers	6.65%	7.53%	1.03%	1.44%	12.57%	**29.22%**
- Foreign governments	0.85%	1.87%		3.19%	2.96%	**8.87%**
- Other foreign issuers	2.13%	3.62%	9.00%	12.24%	17.09%	**44.08%**
Bank balances		15.42%				**15.42%**
Total	**11.23%**	**28.66%**	**10.03%**	**16.87%**	**33.21%**	**100.00%**

Credit risks concerning reinsurers

The company's reinsurance policy requires that all reinsurance is conducted with reinsurers with strong credit ratings. The credit ratings of reinsurers are reviewed regularly to ensure that the reinsurance cover adopted is maintained. The distribution of credit ratings for reinsurers is detailed below. The rating classification is based on information from Standard & Poor's. As at 31 December 2019, there were receivables from reinsurers amounting to TSEK 11,435.

Percentage	AA	A	Total
Underwriting year 2014	37%	63%	**100%**
Underwriting year 2015	37%	64%	**100%**
Underwriting year 2016	63%	37%	**100%**
Underwriting year 2017	59%	41%	**100%**
Underwriting year 2018	59%	41%	**100%**
Underwriting year 2019	56%	44%	**100%**

Liquidity risks

The company's strategy for managing liquidity risk aims to match expected in-payments and out-payments to each other to the greatest possible extent. This is done by means of a liquidity analysis of financial assets and insurance liabilities. Liquidity is managed on an ongoing basis. For insurance liabilities, the estimated time of the cash outflow is shown in the table below.

Branch of insurance	Total provisions	Duration, years
Surety	102,429	2.5

The company's liquidity exposure in respect of remaining durations of financial assets is shown in the table below.

Remaining terms	<3 months	3-12 months	1-5 years	>5 years	Without term	Average term (years)
Bonds and other interest-bearing securities	-	-	138,251	-	-	2,5
Bank balances	-	-	-	-	25,208	-
Total	**-**	**-**	**138,251**	**-**	**25,208**	

Market risks
The Company is exposed to interest rate risk through the risk that the market value of the Company's assets, liabilities and financial instruments will be reduced when market interest rises or drops respectively. The level of interest rate risk increases with the duration of the asset or the liability.

SENSITIVITY ANALYSIS OF THE FAIR VALUE OF THE FINANCIAL ASSETS

SEK thousand	2019		2018	
Bonds and other interest bearing securities	Book value	Change in value at 1% unit parallel change in interest rate level	Book value	Change in value at 1% unit parallel change in interest rate level
Handelsbanken Euro Obligation	11 496	71	2 879	3
Handelsbanken Euro Ranta	49 591	119	13 067	4
Handelsbanken Foretagsobl Cri	14 848	15	49 936	175
Handelsbanken Inst KortRa Cri	16 025	6	27 769	25
Handelsbanken Ranteavkastning	15 102	44	50 119	426
Handelsbanken Likviditet	19 811	6	18 793	4
Handelsbanken Obligasjon	6 686	17	6 344	10
Danish ship	4 692	3	4,623	4
	138,251	**281**	**173,531**	**650**

The company is also exposed to currency risks, which arise due to differences in the value of assets and liabilities denominated in the same foreign currency. The Company's net exposure to currency risk is mitigated through the Company's strategy to manage currency risks, which is to match, as far as possible, insurance liabilities in foreign currencies with the corresponding assets. As the Company has operations in the Nordic countries, it has currency exposures against the currencies of these countries. In below table the net exposures concerning the actuarial provisions are shown. The calculation assumes that changes in the exchange rate will not affect other risk parameters such as the interest rate.

SENSITIVITY ANALYSIS, CURRENCY RISK IN ACTUARIAL PROVISIONS

SEK thousand	DKK	EUR	NOK	Total
Net position 2019	202	15,505	4,768	20,475
10 % change in currency rates, foreign currencies against SEK 2019	20	1,550	477	2,047
Net position 2018	5,183	-5,631	6,146	5,698
10 % change in currency rates, foreign currencies against SEK 2018	518	-563	615	570

Solvency

The company calculates the solvency capital requirement according to the Insurance Business Act (2010: 2043) and the standard model in the Solvency II regulations. According to calculations at the balance sheet date, the minimum capital requirement is TSEK 39,774 (38,486) and the solvency capital requirement is TSEK 138,230 (114,741). The Company's own funds, according to Solvency II regulatory valuation rules, were TSEK 193,289 (191,461). Own funds' development in relation to solvency capital is monitored on a quarterly basis throughout the financial year.

Note 2 – Premium income ooa	2019	2018
Direct insurance, Sweden	49,234	53,827
Direct insurance, foreign	177,781	161,588
Premium income ooa	**227,015**	**215,415**

Note 3 – Return on capital transferred from financial business

The return on the assets that correspond to actuarial provisions was transferred from the non-technical account to the technical account. The amount was calculated on the net average actuarial provisions. The interest rate that was applied is a rate equivalent to the long-term return on investment assets. The interest rate used in 2019 was 1.5% (2018: 1.5%).

Note 4 – Insurance compensation, ooa	2019	2018
Claim costs attributable to the business for the year:		
Insurance compensation paid	-74,673	-11,358
Reinsurer's share of insurance compensation paid	31,141	5,070
Change in provisions for unsettled claims	-81,836	-91,182
Reinsurer's share	62,776	37,588
	-62,592	-59,882
Claim costs attributable to the business for previous years:		
Insurance compensation paid	-74,572	-29,389
Reinsurer's share of insurance compensation paid	30,239	14,566
Change in provisions for unsettled claims	90,608	19,302
Reinsurer's share	-35,852	2,019
	10,423	6,498
Claims handling costs	-957	-8,710
Total	**-53,126**	**-62,094**

Note 5 – Operating costs	2019	2018
Acquisition costs	5,492	3,556
Administrative expenses	47,245	59,207
Total	**52,737**	**62,763**

Operating costs divided into cost types	2019	2018
Staff	60,789	63,590
Premises	4,941	4,393
Depreciation/amortisation	4,764	6,603
Reinsurer's commission	-42,531	-41,089
Other operational costs	24,774	29,266
Total	**52,737**	**62,763**

Note 6 – Operating costs, staff	2019		2018	
	Average number of employees	Gender distribution proportion of women %	Average number of employees	Gender distribution proportion of women %
Sweden	25	32%	26	31%
Norway	9	44%	7	43%
Finland	8	38%	7	29%
Denmark	1	0%	1	0%
Total	**43**	**35%**	**41**	**32%**

	2019	2018
Gender distribution, Board of Directors, Proportion of women	0%	17%
Gender distribution, CEO and senior executives, Proportion of women	0%	14%

	2019	2018
Recognized remunerations, pensions and social fees		
Remunerations	41,475	39,985
Pensions	8,742	7,942
Social fees	10,572	11,974
	60,789	**59,900**
Recognized remunerations		
Chairman of the board	250	250
-where variable remuneration	-	-
Board and senior executives	9,362	12,435
-where variable remuneration	-	-
Other employees	31,863	27,300
	41,475	**39,985**

Remuneration of senior executives - The members and Chair of the Board receive fixed annual remuneration. Remuneration of the Chief Executive Officer consists of fixed and variable salary, other benefits and pension. The Board of Directors determines the annual remuneration of the Chief Executive Officer.

Pension - During the year, TSEK 1,882 in pension contributions, excluding payroll tax, was carried as an expense for the Chief Executive Officer and other senior executives.

Notice of termination and severance pay - The notice of termination for employees varies from country to country and is longest in Sweden. For individuals in Sweden who have been employed for at least 30 months, the notice of termination is 12 months in the event of termination by the company.

Note 7 – Associate companies

Nordic Guarantee Försäkringsaktiebolag ('the company') is a wholly owned subsidiary of Manzillo Holdings Limited.

Other associate companies

Other associate companies are Red Sands Group (registered in Gibraltar) and Polar Risk Managers AB (registered in Sweden), both companies are wholly owned subsidiaries of Manzillo Holdings Limited.

Overview transactions with close related parties

	2019	2018
Other transactions		
Operating expenses		
Polar Risk Managers AB	0 tsek	146 tsek

Note 8 – Auditors' fees

	2019	2018
EY, auditors' fees	537	870
KPMG, internal auditors' fees	297	124
Other consultancy fees	45	888
Total	**879**	**1,882**

Note 9 – Return on capital, net

	2019	2018
Interest income, bonds and other interest-bearing securities	546	319
Other interest income	6	3
Realised profit on bonds and other securities	249	1,333
Unrealised profit on investment assets	2,470	449
Financial expenses	-21	-12
Write-downs of long-term receivables	-1,380	-
Total	**1,870**	**2,092**

Note 10 – Other assets/liabilities

	2019	2018
Exchange gains	5,582	4,713
Exchange losses	-2,105	-6,493
Total	**3,477**	**-1,780**

Note 11 – Taxation for the year	2019	2018
Income tax for the year	781	6,186
Change in deferred tax	-256	-240
Tax on not activated loss carried forward	-781	-6,186
	-256	**-240**
Reconciliation of effective tax		
Profit before tax	756	-29,859
Tax at current rate	-162	6,569
Non-deductible costs	-223	-383
Non-taxable income	1 166	-
Increase of loss carried forward without activation	-781	-6,186
Impact in deferred tax due to decreased tax rate	-256	-240
Recognised effective tax	**-256**	**-240**
Tax effective	33,85%	0,80%

Total loss carried forward is 73,065 tsek

Note 12 – Intangible assets	2019	2018
Intangible assets:		
Opening accumulated cost	23,624	23,624
Closing accumulated cost	**23,624**	**23,624**
Opening accumulated amortisation	-19,248	-13,792
Amortisation for the year	-3,954	-5,456
Closing accumulated amortisation	**-23,202**	**-19,248**
Closing residual value according to plan	**422**	**4,376**

Not 13 – Shares in associated companies	2019	2018
At the beginning of the year	-	-
Acquisitions	88,113	-
Share of results of associates	5,447	-
Carrying amount at year-end using the equity method	**93,560**	-

Company, Registered office	Share of equity	Number of shares held	Carrying value
Keyhole ApS, based in Copenhagen, Denmark	30%	21,433	4,581,862
Lombard Australia Holdings PTY LTD, based in Sidney, Australia	31%	1,265	88,977,976
Total value of shares in associated companies		**22,698**	**93,559,838**

Company	Registration number	Total Profit/Loss for the year	Total Equity
Keyhole ApS	40320377	-1,467,645 DKK	2,082,355 DKK
Lombard Australia Holdings PTY LTD	ACN 629 197 431	5,346,000 AUD	40,742,230.94 AUD

Lombard Australia Holdings Pty Ltd is the sole shareholder of Assetinsure Holdings Pty Limited, who in turn is the sole shareholder of Assetinsure Pty Limited. Assetinsure Pty Limited (Assetinsure) and Assetinsure Holdings Pty Limited (Assetinsure Holdings) are regulated by the Australian Prudential Regulation Authority (APRA) under the Insurance Act 1973. APRA has power to impose prudential standards on, and give directions to, insurance companies and their non-operating holding companies in respect of the payment of dividends and returns of capital by those companies (which includes APRA approval in some cases). For that reason, Assetinsure and Assetinsure Holdings require APRA's approval for the payment of dividends and returns of capital.

Note 14 – Other financial investment assets	Acquisition cost		Market value		Book value	
	2019	2018	2019	2018	2019	2018
Bonds and other interest-bearing securities	136,455	173,614	138,251	173,531	138,251	173,531
Loan	-	580	-	580	-	580
Total	**136,455**	**174,194**	**138,251**	**174,111**	**138,251**	**174,111**

All financial investment assets are quoted in an active market and belong to level 1 under IFRS 13.

Type of issuer	Nominal value	%	Market value	%	Book value	%
The Swedish government	2,133	2%	3,947	3%	3,947	3%
Other Swedish issuers	45,393	34%	47,764	35%	47,764	35%
Foreign governments	14,461	11%	14,491	10%	14,491	10%
Other foreign governments	70,992	53%	72,049	52%	72,049	52%
Total	**132,979**	**100%**	**138,251**	**100%**	**138,251**	**100%**

Note 15 – Receivables concerning direct insurance	2019	2018
Receivables from policyholders	34,554	29,939
Total	**34,554**	**29,939**

Note 16 – Receivables concerning direct insurance	2019	2018
Deferred tax assets	8,310	8,566
Other receivables	1,314	1,349
Total	**9,624**	**9,915**

Note 17 – Deferred tax	2019	2018
Total loss carried forward	73,065	69,482
Activated loss carried forward	40,029	40,029
Non activated loss carried forward	33,036	29,453
Deferred tax	8,310	8,566
Tax rate	21,4%	21,4%

Impact in deferred tax because of changed tax rate

Financial year	Tax rate	Loss carried forward expected to be used	Expected Deferred tax
2020	21,40%	8,003	1,713
2021-	20,60%	32,026	6,597
		40,029	**8,310**

Note 18 – Tangible fixed assets	2019	2018
Equipment:		
Opening accumulated cost	6,212	7,373
Currency impact	9	43
Purchases for the year	3,257	-
Disposal/sale	-3,821	-1,204
Closing accumulated cost	**5,657**	**6,212**
Opening accumulated amortisation	-2,593	-2,249
Currency impact	-7	-6
Amortisation for the year	-810	-1,146
Disposal/sale	1,988	809
Closing accumulated amortisation	**-1,422**	**-2,593**
Closing residual value according to plan	**4,235**	**3,619**

Note 19 – Other prepaid expenses and accrued income	2019	2018
Accrued interest income	90	88
Prepaid rental charges	857	834
Reinsurance commission	13,492	11,912
Prepaid development costs, insurance system	3,336	17
Other	1,488	939
	19,263	**13,790**

Note 20 – Provisions for unearned premiums and protracted risks	2019	2018
Opening balance	140,928	126,178
Change in provisions for unearned premiums and protracted risks	11,346	11,572
Currency impact due to consolidation	1,703	3,178
Closing balance	**153,977**	**140,928**

Note 21 – Provisions for unsettled claims	2019	2018
Opening balance	132,914	56,473
Change in provisions for unsettled claims	-10,192	71,880
Currency impact due to consolidation	1,938	4,561
Closing balance	**124,660**	**132,914**

Note 22 – Liabilities	2019	2018
Liabilities to reinsurers	13,558	11,773
Liabilities to insurance intermediaries	535	415
Liabilities to policyholders	3,600	6,350
Accounts payable	4,524	1,632
Other	4,849	4,788
	27,066	**24,958**

Note 23 – Other accrued expenses and deferred income	2019	2018
Staff-related expenses	8,172	9,279
Premium paid to reinsurers	29,879	29,081
Other	2,846	3,582
	40,897	**41,942**

Note 24 – Expected recovery times for assets and liabilities	No more than 1 year	Longer than 1 year	Total
Other intangible assets	-	422	422
Carrying value of associated companies		93,560	93,560
Other financial investment assets	-	138,251	138,251
Receivables concerning direct insurance	34,554	-	34,554
Reinsurers share of unearned premiums and protracted risks	64,056	29,629	93,685
Receivables from reinsurers, unsettled claims	82,522	-	82,522
Receivables concerning reinsurance, settled claims	9,977	-	9,977
Other receivables	9,624	-	9,624
Tangible fixed assets	-	4,235	4,235
Bank balances	25,208	-	25,208
Other prepaid expenses and accrued income	19,263	-	19,263
Total assets	**245,204**	**266,097**	**511,301**

	No more than 1 year	Longer than 1 year	Total
Provisions for unearned premiums and protracted risks	106,414	47,563	153,977
Provisions for unsettled claims	83,107	41,553	124,660
Liabilities concerning direct insurance	4,135	-	4,135
Liabilities concerning reinsurers	13,558	-	13,558
Other liabilities	9,373	-	9,373
Other accrued expenses and deferred income	40,897	-	40,897
Total provisions and liabilities	**257,484**	**89,116**	**346,600**

Note 25 – Class analysis	Surety	Other	Total
2019:			
Premium income ooa	92,628	-	92,628
Premium revenue ooa	90,173	-	90,173
Insurance compensation ooa	-53,126	-	-53,126
Operating costs ooa	-52,737	-	-52,737
2018:			
Premium income ooa	87,726	0	87,726
Premium revenue ooa	93,290	905	94,195
Insurance compensation ooa	-62,094	0	-62,094
Operating costs ooa	-62,763	0	-62,763

Note 26 – Sheet items	2019	2018
Pledged assets		
Registered assets to cover actuarial provisions, ooa	163,549	297,499
Contingent liabilities	None	None
Commitments	None	None

Note 27 – Events after the balance date

No events after the balance date have been reported.

Stockholm 17 March 2020

Peter Lindblad
Chair

Per Nielsen
Director

Robert John Symmonds
Director

Donnell Gouveia
Director and CEO

William Valentin
Director

Our audit report was submitted on 17 March 2020
Ernst & Young AB

Daniel Eriksson
Authorised Public Accountant

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